

# BOARD OF ALDERMEN

ITEM NO. B(4)

## AGENDA ITEM ABSTRACT

MEETING DATE: October 142003

**TITLE: A Request To Set a Fixed Asset Threshold for Infrastructure Assets at \$100,000**

<b>DEPARTMENT:</b> Management Services	<b>PUBLIC HEARING:</b> YES ____ NO <u>x</u>
<b>ATTACHMENTS:</b> <b>A: Resolution</b> <b>B:Fixed Asset Thresholds – Approved June 11, 2002</b>	<b>FOR INFORMATION CONTACT:</b> Jan Bryant-Berry, Purchasing Officer

### PURPOSE

The Board of Aldermen is requested to revise the dollar thresholds for fixed assets to include a threshold for the Town's infrastructure assets (roads, bridges, sidewalks, etc.) that must now be included in the Town's fixed asset records as required by the new accounting principles (GASB34). The threshold for capitalizing infrastructure is recommended to be \$100,000.

### INFORMATION

Implementation of the Governmental Accounting Standards Board regulation 34 will require a change in the reporting of the Town's fixed assets. The annual audit will include infrastructure inventory that has never been reported before. Infrastructure assets are normally stationary long-lived assets and include inventory such as bridges, roads, streets, highways, tunnels, drainage systems, dams and sidewalks. The Local Government Commission (LGC) and the Government Finance Officers Association (GFOA), a national professional association of state and local finance officers in the United States and Canada, that promotes sound financial management, recommend that all municipalities establish thresholds for their fixed asset limits at \$100,000 for infrastructure assets.

Setting fixed asset capitalization thresholds will enable the Town to perform an effective reconciliation of fixed assets. The thresholds, however, will in no way affect the controls in place for monitoring and tracking items owned by the Town that are lower than the approved threshold. Currently, thresholds are set at \$5,000 for tangible capital assets such as equipment and \$20,000 for buildings. Infrastructure records are maintained in various documents and monitored. Examples of documentation include street information provided to the State annually for Powell Bill grant reporting purposes, deeds, check requests, and other records. Establishing the thresholds is primarily to address what is materially reportable in the Town's annual audit.

While board approval is not required to establish fixed asset thresholds, it has been a practice in the Town to submit these thresholds for Board approval. Staff is also requesting that future fixed asset procedural changes be handled as an internal administrative changes The processes involved in making changes to fixed asset thresholds or other procedural changes will include staff review, research on current and best practices, and a written policy as is done with other town policies.

#### ADMINISTRATION'S RECOMMENDATION

The Board of Aldermen is requested to establish the threshold of the Town's infrastructure at \$100,000 and to authorize future changes in fixed asset thresholds and procedures to be handled as routine administrative changes.